

Lee J


GULCH MINES LIMITED

Thirteenth Annual Report

For the Year Ended December 31, 1966

GULCH MINES LIMITED

	Authorized Capital - - - - - 5,000,000 Shares (\$1.00 par value)
	Issued Capital - - - - - 4,150,375 Shares
OFFICERS	J. A. GRANT - - - - - <i>President</i> FOSTER W. HEWITT - - - - - <i>Vice-President</i> H. L. GOOD - - - - - <i>Secretary-Treasurer</i>
DIRECTORS	H. L. GOOD - - - - - Toronto, Ontario G. M. GRANT - - - - - Toronto, Ontario J. A. GRANT - - - - - Toronto, Ontario GEORGE F. HAYHURST - - - - - Toronto, Ontario FOSTER W. HEWITT - - - - - Toronto, Ontario S. H. ROBINSON - - - - - Toronto, Ontario S. D. TAYLOR - - - - - Regina, Saskatchewan
HEAD OFFICE	Suite 710 — 60 Yonge Street, Toronto, Ontario
MINE PROPERTIES	Black Bay, Lake Athabaska, Saskatchewan Geraldton, Ontario
REGISTRAR AND TRANSFER AGENT	Sterling Trusts Corporation 372 Bay Street, Toronto 1, Ontario
AUDITORS	GRIER, DYER, ELMSLIE & STOWAR, Toronto, Ontario
COUNSEL	HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON, PEPALL & HARVEY, Toronto, Ontario
ANNUAL MEETING	The Annual Meeting of the Company will be held in The Newfoundland Room, Royal York Hotel, 100 Front Street West, Toronto 1, Ontario, Monday, March 20th, 1967, at 11:00 o'clock in the forenoon, Toronto time.



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Gulc1741_1966

GULCH MINES LIMITED

Directors' Report

TO THE SHAREHOLDERS:

The Directors submit herewith the Thirteenth Annual Report of your company including Financial Statements, Auditors' Report for 1966 and the Consulting Geologist's Report.

The option on the Contact Gold Mines Ltd. property in La Ronge area, Saskatchewan, was allowed to lapse — the work having disclosed nothing of economic interest.

Your company has entered into an agreement with Gunnex Limited (a wholly-owned subsidiary of Gunnar Mining Limited) under which a joint exploration programme of surface work and diamond drilling will be carried out on Gulch Claim Blocks No. 276, 277 and the seven leased uranium claims at Black Bay, Lake Athabaska, Saskatchewan. The agreement (copy of which accompanies this report) is subject to approval of the Gulch Shareholders. Notice of the Annual and General Meeting of the Shareholders, at which the said agreement with Gunnex Limited will be submitted for the approval of the Shareholders, is enclosed.

The patented gold claims at Geraldton, Ontario, have been kept in good standing. No work was carried out on the uranium or gold claims during the past year.

Your Directors express their appreciation for the work performed by the company's Consulting Geologist, Dr. H. S. Wilson, during the past year.

On behalf of the Board,

JAMES A. GRANT,
President.

Toronto, Ontario,
February 16th, 1967.

THIS AGREEMENT made in triplicate this 15th day of February, 1967,

B E T W E E N :

GUNNEX LIMITED, a Company incorporated under the laws of the Province of Ontario, with head office at the City of Toronto, (hereinafter called "Gunnex"),

OF THE FIRST PART,

— and —

GULCH MINES LIMITED, a Company incorporated under the laws of the Province of Ontario, with head office at the said City of Toronto, (hereinafter called "Gulch"),

OF THE SECOND PART.

WHEREAS Gunnex is a wholly owned subsidiary of Gunnar Mining Limited, a Company incorporated under the laws of Ontario with head office at the City of Toronto, in the said Province (hereinafter called "Gunnar"); and

WHEREAS Gunnar has carried on mining operations at its mine property in the Athabaska Mining District, Province of Saskatchewan for some years and mined uranium ores therefrom and treated same at a mill located on such mining property and subsequently discontinued its said mining and milling operations; and

WHEREAS Gunnex is the holder of surface leases of the surface rights of the lands on which the said mill is located in the said Province of Saskatchewan (hereinafter called the "said Gunnex lands") and Gunnex is the owner of the said mill including certain buildings, machinery, supplies and equipment heretofore used in connection with such mill (all of which are together for convenience hereinafter called the "Gunnex Mill"), the said Gunnex lands being more particularly described in Schedule "A" hereto and the Gunnex Mill being more particularly described in Schedule "B" hereto; and

WHEREAS Gulch is the owner of certain mining lands in the Athabaska Mining District, Province of Saskatchewan, more particularly described in Schedule "C" hereto (hereinafter called the "Gulch mining lands") on which Gulch has heretofore carried on certain mining, exploration and preliminary development work; and

WHEREAS Gunnex and Gulch have agreed to associate and participate with each other for the purposes of carrying out prospecting, exploration and further preliminary mining development work on the Gulch mining lands with the right and option to Gunnex to have the Gulch mining lands, the said Gunnex lands and the Gunnex Mill assigned and transferred to a new company as hereinafter provided all upon and in accordance with the terms and conditions hereinafter contained.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and the sum of five dollars (\$5.00) now paid by each of the parties hereto to the other (receipt whereof is hereby acknowledged) the parties hereto hereby agree each with the other as follows:

1. Gunnex and Gulch agree to associate with each other for the purpose of financing and undertaking certain prospecting, exploration and preliminary development work on the Gulch mining lands (such association being hereinafter referred to as the Joint Venture).
2. Each of Gunnex and Gulch agree to contribute the sum of TWENTY FIVE THOUSAND DOLLARS (\$25,000.00) to the cost of the Joint Venture for its expenditures hereunder and such greater amount as may be mutually agreed upon from time to time by the parties hereto. Gunnex will make application to the Department of Natural Resources, Province of Saskatchewan for government participation in the exploration expenses of the Joint Venture to the extent of an amount equal to the total expenditures of the Joint Venture on or in

connection with the Gulch mining lands up to a maximum amount of \$50,000.00 in any one year.

3. The said Joint Venture will be managed by Gunnex and Gunnex shall have the sole and exclusive right to decide the nature and manner of the said prospecting, exploration and development work of the Joint Venture on the Gulch mining lands; PROVIDED HOWEVER, that Gunnex will keep Gulch fully advised of the activities of the Joint Venture and make available to Gulch any and all data and information resulting from such activities and that Gunnex shall not, without the consent in writing of Gulch, authorize work the aggregate cost of all of which shall exceed the sum of One Hundred Thousand Dollars (\$100,000.00). In the event that Gunnex in its sole discretion at any time, on or before the 15th day of February, 1969 decides that a sufficient commercial ore body has been proven on the Gulch mining lands to warrant modifying and equipping the Gunnex Mill to treat ore from the Gulch mining lands in the Gunnex Mill and market concentrates or metals derived therefrom profitably, Gunnex will give notice of such decision to Gulch on or before the 15th day of March, 1969. If Gunnex gives such notice to Gulch on or before the said 15th day of March, 1969, the said Gulch mining lands, the said Gunnex lands and the said Gunnex Mill will be assigned and transferred to a new company to be incorporated by Gulch for the purpose of acquiring same within two months after the date of giving such notice with an authorized capital of \$3,000,000 divided into 3,000,000 shares with a par value of \$1.00 each or 3,000,000 shares without any nominal or par value and with a board of six directors and if Gunnex does not give such notice to Gulch on or before the 15th day of March, 1969, this agreement shall thereupon be terminated. Gulch agrees that Gunnex shall be under no liability as Manager hereunder except for its own wilful or negligent acts and defaults.

4. Gunnex shall bill Gulch from time to time for its respective share of the expenses of the said work hereunder and Gulch will pay to Gunnex its respective share of such expenses forthwith after receipt of each such billing. In each case Gunnex will outline briefly the nature and amount of the expenses incurred. All of the costs of Gunnex incurred pursuant to the provisions hereof shall be deemed to be costs of the Joint Venture.

5. In consideration of the sale, assignment and transfer to the New Company of the said Gunnex lands, the Gunnex Mill and the Gulch mining lands and the benefit of all expenditures made on or in connection with the Gulch mining lands by the Joint Venture the new company shall allot and issue to Gunnex and Gulch 750,000 shares of the new company in respect to properties transferred to it by them and 500,000 shares of the new company in respect of said expenditures made on or in connection with the Gulch mining lands by Gunnex and Gulch, all such shares to be allotted and issued as full paid and non-assessable in the proportion of 50% to Gunnex and 50% to Gulch.

6. It is understood and agreed between the parties hereto that if the new company is incorporated, then the new company shall have a board of six (6) directors of whom four (4) shall be necessary to constitute a quorum and that no director or chairman shall have a second or casting vote. Following the organization of the new company three (3) nominees of Gunnex and three (3) nominees of Gulch shall be elected to the board of Directors. Each of the parties hereto agrees to vote on or in respect of shares of the new company held by such party for the election of the directors of the nominees of the parties as aforesaid, that is, three (3) nominees of Gunnex and three (3) nominees of Gulch for a period of five years from the date of incorporation of the new company.

7. It is recognized by the parties hereto that if the new company is incorporated and acquires the Gunnex Mill as aforesaid, it will be necessary for the new company to carry out considerable modification and re-equipment of the Gunnex Mill before it can be placed in a position to treat the ore from the Gulch mining lands.

8. It is understood and agreed that this Agreement is subject to the same being approved and confirmed by the shareholders of Gulch and compliance with the requirements of the Toronto Stock Exchange and if on or before the 1st day of April, 1967, this Agreement has not been approved and confirmed by the shareholders of Gulch and the requirements of the Toronto Stock Exchange have not been met, then this Agreement shall be null and void.

9. Gulch hereby covenants, represents and warrants to Gunnex that it is the beneficial owner free of encumbrances of the Gulch mining lands and that it has the right to enter into

this Agreement and that if the new company is incorporated as aforesaid, Gulch will forthwith assign, transfer and convey the Gulch mining lands to the new company free and clear of encumbrance.

Gunnex hereby covenants, represents and warrants to Gulch that it is the beneficial owner of the Gunnex Mill and that it is the holder of surface leases of the said Gunnex lands and that it has the right to enter into this Agreement and that if the new company is incorporated as aforesaid, Gunnex will forthwith assign, transfer and convey the said Gunnex lands and the Gunnex Mill to the new company free and clear of encumbrance.

10. Each of the parties hereto agrees to do all such acts, execute and deliver all such documents and give such further assurances as may be necessary or advisable to implement and carry out the intent of this Agreement.

11. Any notices required or desired to be given under this Agreement shall be deemed to be sufficiently given if sent by registered mail, postage prepaid, respectively addressed to

(a) GUNNEX LIMITED,
Suite 1707,
80 Richmond Street West,
Toronto 1, Ontario.

(b) GULCH MINES LIMITED,
Suite 710,
60 Yonge Street,
Toronto 1, Ontario.

and such notices shall be deemed to have been received on the second business day next following the mailing thereof.

12. Neither of the parties hereto may assign all or part of its rights or obligations hereunder without the prior written consent of the other party.

13. This Agreement shall be deemed to be a contract made under the laws of the Province of Ontario and for all purposes shall be construed in accordance with the laws of such Province.

14. This Agreement shall be binding upon and shall enure to the benefit of the respective successors and permitted assigns of the parties hereto.

IN WITNESS WHEREOF the parties hereto have executed this Agreement under their respective corporate seals and the hands of their respective proper officers duly authorized in that behalf.

SIGNED, SEALED AND DELIVERED

in the presence of:

GUNNEX LIMITED

By T. P. O'CONNOR

And: J. S. McFADDEN

CORPORATE SEAL

GULCH MINES LIMITED

By: J. A. GRANT

And: FOSTER HEWITT

CORPORATE SEAL

SCHEDULE A

This is Schedule "A" to the annexed Agreement between Gunnex Limited and Gulch Mines Limited dated the 15th day of February, 1967

LIST OF SURFACE LEASES HELD BY GUNNEX LIMITED ATHABASKA MINING DISTRICT, SASKATCHEWAN

Surface Lease #87 for claims Bon and Bon Excess Area respectively — S 10902 and S 10902A — Lots 275 and 275A — covers area on which are located the mill and crusher building, acid plant #1 and acid plant #2.

Surface Lease #88 for claim Bon 1 — S 10903, Lot #276 — on which is located the plant building and power house building.

Surface Lease #92, claim Bon 6 — S 10907, Lot #270 on which is located the shopping and community centre building.

SCHEDULE B

This is Schedule "B" to the annexed Agreement between Gunnex Limited and Gulch Mines Limited dated the 15th day of February, 1967

GUNNEX MILL — BUILDINGS, MACHNERY, EQUIPMENT AND SUPPLIES

The Gunnex Mill and certain other auxiliary buildings — crushing and conveying buildings which do not contain any crushing or conveying equipment since these have been removed from the property and sold.

Mill Building — contains storage facilities and the process equipment for the treatment of uranium ore at a rate of approximately 2,000 tons per day, but it should be noted that the grinding and classifying equipment and the majority of the pumping equipment has been removed from this mill building and sold.

Acid Plant — consisting of #1 Plant which has a nominal capacity of 100 tons per 24 hours 100% sulphuric acid (H_2SO_4). Second Plant nominal capacity of 65 tons per 24 hours of 100% sulphuric acid (H_2SO_4).

The Power House Building which provided accommodation for power generating units. It should be noted these power generating units have been removed from the property and some have been sold.

Plant Building consisting of office, warehouse and shop accommodation from which all equipment has been removed and sold.

Shopping and Community Building which housed shopping and recreation facilities and from which the equipment has been removed and sold.

SCHEDULE C

This is Schedule "C" to the annexed Agreement between Gunnex Limited and Gulch Mines Limited dated the 15th day of February, 1967

LIST OF MINING LANDS HELD BY GULCH MINES LIMITED, ATHABASKA MINING DISTRICT, SASKATCHEWAN

Claim No. ML 4681

Claim No. ML 4683

Claim No. ML 4699

Claim No. ML 4702

Claim No. ML 4703

Claim No. ML 4704

Claim No. ML 4708

Claim Blocks — CBS 276 and CBS 277

GULCH MINES

(Incorporated under the laws of the Province of Ontario)

Balance Sheet as at December 31, 1966

ASSETS

CURRENT:

Cash	\$	4,707	
Marketable securities — at cost, less proceeds from sales (quoted market value \$96,900)		27,998	\$ 32,705

Mining Claims — at cost:

Saskatchewan — Beaverlodge area	104,500	
Ontario — Geraldton area	16,074	120,574

Mine Plant and Equipment — at nominal value 1

Organization expense 5,022

Deferred Exploration, Development and Other Expenditures:

Balance at 31st December 1965	1,701,390	
Expenditures for the year — Exhibit 'B'	11,352	1,712,742
		<u>\$1,871,044</u>

AUDITORS

The Shareholders,
Gulch Mines Limited:

We have examined the balance sheet of Gulch Mines Limited as at 31st December 1966 and the statement of deferred exploration, development and other expenditures for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
6th February, 1967.

ES LIMITED

(the Province of Ontario)

EXHIBIT 'A'

1st December, 1966

LIABILITIES

CURRENT:

Accounts payable and accrued	\$	965
------------------------------------	----	-----

CAPITAL STOCK:

Authorized —

5,000,000 shares of \$1.00 par value each	<u>\$5,000,000</u>
---	--------------------

Issued —

4,150,375 shares	4,150,375
Less — discount	<u>2,280,296</u>
	1,870,079

Approved on behalf of the Board:

J. A. GRANT, Director.

H. L. GOOD, Director.

\$1,871,044

REPORT

In our opinion the accompanying balance sheet and statement of deferred exploration, development and other expenditures present fairly the financial position of the company as at 31st December 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GRIER, DYER, ELMSLIE & STOWAR,
Chartered Accountants.

GULCH MINES LIMITED

DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES FOR THE YEAR ENDED 31st DECEMBER 1966

EXPLORATION AND DEVELOPMENT:

Re-appraisal of exploration and development work done on company's property at Black Bay, Lake Athabaska, Saskatchewan	\$ 2,520
Maylac property — taxes	82
Sundry re La Ronge property abandoned	45
Travelling	425
	<hr/> 3,072

ADMINISTRATIVE:

Canada Pension Plan	\$ 76	
Expense of reports and annual meeting	585	
Executive salary	4,800	
Government filing fees and taxes	42	
Legal, audit and accounting fees	760	
Listing fee	100	
Office space and facilities	600	
Office supplies and expenses	314	
Transfer agent and registrar	1,003	8,280
	<hr/>	<hr/>
		<u>\$ 11,352</u>

GULCH MINES LIMITED

Consulting Geologist's Report

Mr. J. A. Grant, President,
Gulch Mines Limited,
Suite 710 — 60 Yonge Street,
Toronto 1, Ontario.

Dear Sir:—

The following is a summary of exploration activities carried out by your company during the year ended December 31, 1966.

GENERAL

During the summer several mineral prospects were examined, all located in the general Highland Valley area of southern British Columbia, where the writer was engaged in doing preliminary work on claims owned by an associated company. Although showings containing molybdenum or copper minerals occurred on all properties, none of them were considered sufficiently promising to warrant further work.

URANIUM PROPERTY

Later in the year in collaboration with Gunnex Limited, a study was made of available data relating to your uranium property located at Black Bay, Lake Athabaska, Saskatchewan. These holdings now consist of seven mineral leases having an area of some 192 acres covering the shaft and underground workings, together with two claim blocks of approximately 1,320 acres each — making a total area of approximately 2,832 acres straddling the Black Bay fault for a length of approximately six miles.

Although the greater part of the land portion of the property would appear to have been adequately prospected by the work already done, it is considered that the most favourable area is a strip about 400 feet wide lying along the footwall-side of the Black Bay fault, which strikes roughly northeast and dips steeply (60 to 70°) to the southeast and its sub-outcrop lies just off-shore under the waters of the lake. Only about a half-mile length along the footwall-side of the fault has already been explored by underground workings and diamond drill holes, the balance of five and a half miles being completely unexplored.

As a result of the study of all available information, the conclusion arrived at is that geologic conditions are sufficiently favourable to warrant a considerable amount of further exploration in an effort to evaluate the possibilities along the footwall-side

of the Black Bay fault on the untested strike-length of your property. Since, as mentioned above the favourable zone lies just off-shore under the lake, its further exploration should be accomplished by drilling.

It is therefore recommended that a programme of drilling be carried out to test the favourable zone by a series of holes spaced at about 1,500-foot intervals, these holes to be located on the shore where possible, or from the ice on the lake where due to topography suitable drill set-ups are not available on the land. Several more closely-spaced holes are warranted in the vicinity of where the "RACU break" intersects the Black Bay fault and there are other locations where structural conditions indicate possibilities that warrant testing by an additional hole or two.

The above-mentioned drilling programme will require seventeen holes, each about 600 feet in length, making a total of some 10,200 feet of drilling. In addition, a radiometric and geologic survey on lines at 300-foot intervals should be carried out over that part of the land area of the property not already covered by such surveys.

The cost of carrying out the programme of work referred to above, is estimated at about \$100,000.

Respectfully submitted,

H. S. WILSON, P.Eng.

Oakville, Ontario,
February 2, 1967.

